

Date: 23 August 2010

USD-ZAR 7.2501/3586
 GBP-USD 1.5509/613
 GOLD \$1229.20

EUR-ZAR 9.2298/3409
 USD-JPY 85.147/577
 ALLSHARE 26 989.63

GBP-ZAR 11.3074/4271
 AUD-USD 0.8863/947
 DJI 10 213.62

EUR-USD 1.2671/753
 R157 7.285%
 3M JIBAR 6.545%

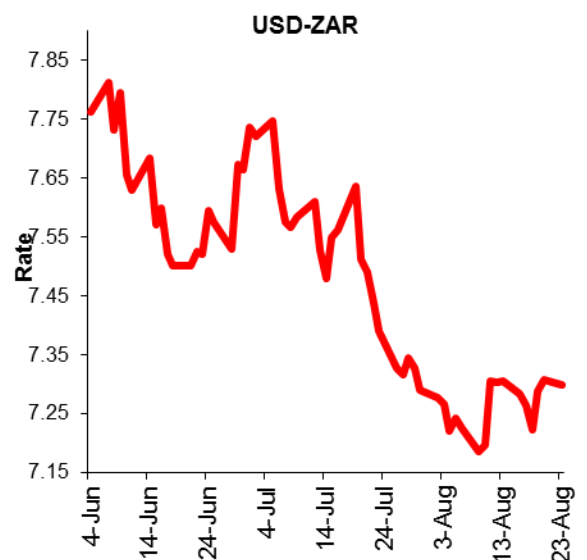
Time (GMT)	Country	Event	Month	Exp	Prior
07:00	SA	SARB Leading Indicator	Jun		130.6
	JP	Govt and BoJ meet to discuss JPY strength and possible responses			
07:30	DE	Manufacturing Flash PMI	Aug	60.0	61.2
08:00	EZ	Services Flash PMI	Aug	55.5	55.8
14:00	EZ	Consumer Confidence	Aug	-14.0	-14.1

Today's Talking Point

SARB Leading Indicator (Jun) preview: The leading indicator declined m/m for the first time in almost a year in May. This highlights a risk of a slowdown in economic growth in the quarters ahead given that the index is historically a fairly good 2-quarter leading indicator of growth. While the extent to which the leading indicator declined was fairly marginal, a gradual downward trend is expected to persist in the months ahead as low base factors work their way out of various growth metrics and consumer demand remains fairly soft.

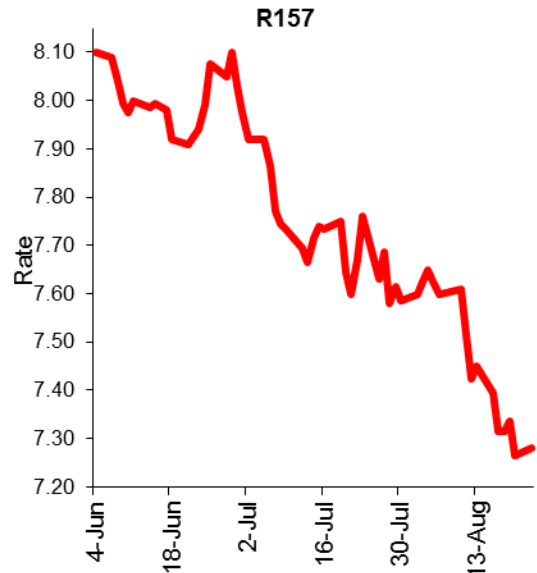
Rand Update

Large corporate flows are back in the spotlight at the start of this week. On the front page of the Business Day the lead story details how HSBC is now being linked to a \$5.0bn offer for Nedbank, whilst in the Wall St Journal there are indications that SABMiller may offer \$10.9bn for Foster's. SABMiller is now a global company with listings abroad and is expected to raise the capital required to finance the takeover through international markets, so the impact on SA is likely to be limited if anything at all. Meanwhile considering the potential inflows from HSBC, as has been done with other corporate takeovers which have translated into significant inflows, the SARB is likely to step in and absorb such inflows for the purpose of further building reserves. Instead, investors are urged to consider the structural factors that have bolstered the ZAR's performance in recent weeks as the real drivers of trend direction rather than the noise being experienced at present. According to Reuters data (bid chart), the ZAR weakened against the USD on Friday, closing at R7.3077 from R7.287 on Thursday. Meanwhile the ZAR strengthened vs. the EUR and GBP, ending at R9.2844 vs. the EUR from R9.3419 on Thursday, while finishing at R11.3496 vs. the GBP from R11.3618 the previous day.



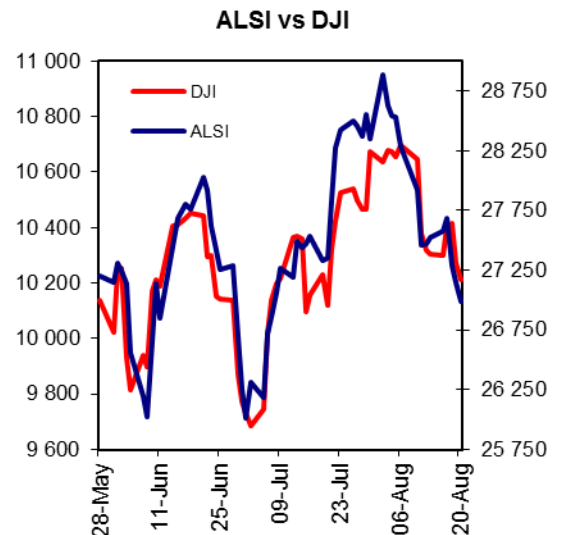
Bond Update

With global equity markets under pressure on Friday, on the back of concerns surrounding global economic growth, safe haven government capital markets benefited from the rotation play into bonds. The US 10yr yield declined to an intraday low of 2.534%, while the South African Benchmark R157 closed below the 7.265% for the first time since Jan 2009. The UK 10yr yield closed at 2.98%, 4bps from all-time lows of 2.94% seen in March 2009 before the Fed started QE. The overriding trend that is likely to remain in place is until such a time that policy makers globally step in with fiscal and monetary expansion to prop up aggregate demand, global bonds are likely to remain in favour and global yield curves are likely to flatten as longer-dated bonds remain in demand relative to the shorter end. Overall at the close the key benchmark R157 closed stronger with the yield at 7.265% vs. a previous close of 7.335%, while the longer dated R186 outperformed the benchmark once again ending the session stronger at 7.915% vs. Thursday's close of 8.015%.



JSE Update

The JSE ALSI ended 0.6% lower on Friday with the global growth environment an ongoing concern for investors. Furthermore, a lack of key offshore economic data on the day provided little reason for the downward bias to ease up. Traders in the market also spoke of a continued rotation from stocks into bonds as soft growth metrics point to subdued inflationary pressures. Resources and financials, amongst most other indices on the JSE, finished around 0.6% weaker on the day. US stocks recovered slightly off their intraday lows on Friday as technology stocks rebounded and the VIX index, a measure of volatility in the market, declined 3.6% on the day. However overall, the Dow Jones and S&P failed to break into positive territory with trading light on the day and the same theme of risk aversion still impacting negatively on equities. At the close the two indices were down 0.6% and 0.4% respectively. The Asian markets are mostly in the red overnight, reflecting a similar negative bias as seen on Wall St on Friday. The JPY is on the front foot again vs. the USD, further pressuring the Nikkei to send it 0.7% lower, while Aussie stocks were flat. At the time of writing the Hang Seng had dropped 0.4%, while the Shanghai composite was up 0.1% on the back of upbeat corporate results.



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